
The Vermont Community Foundation

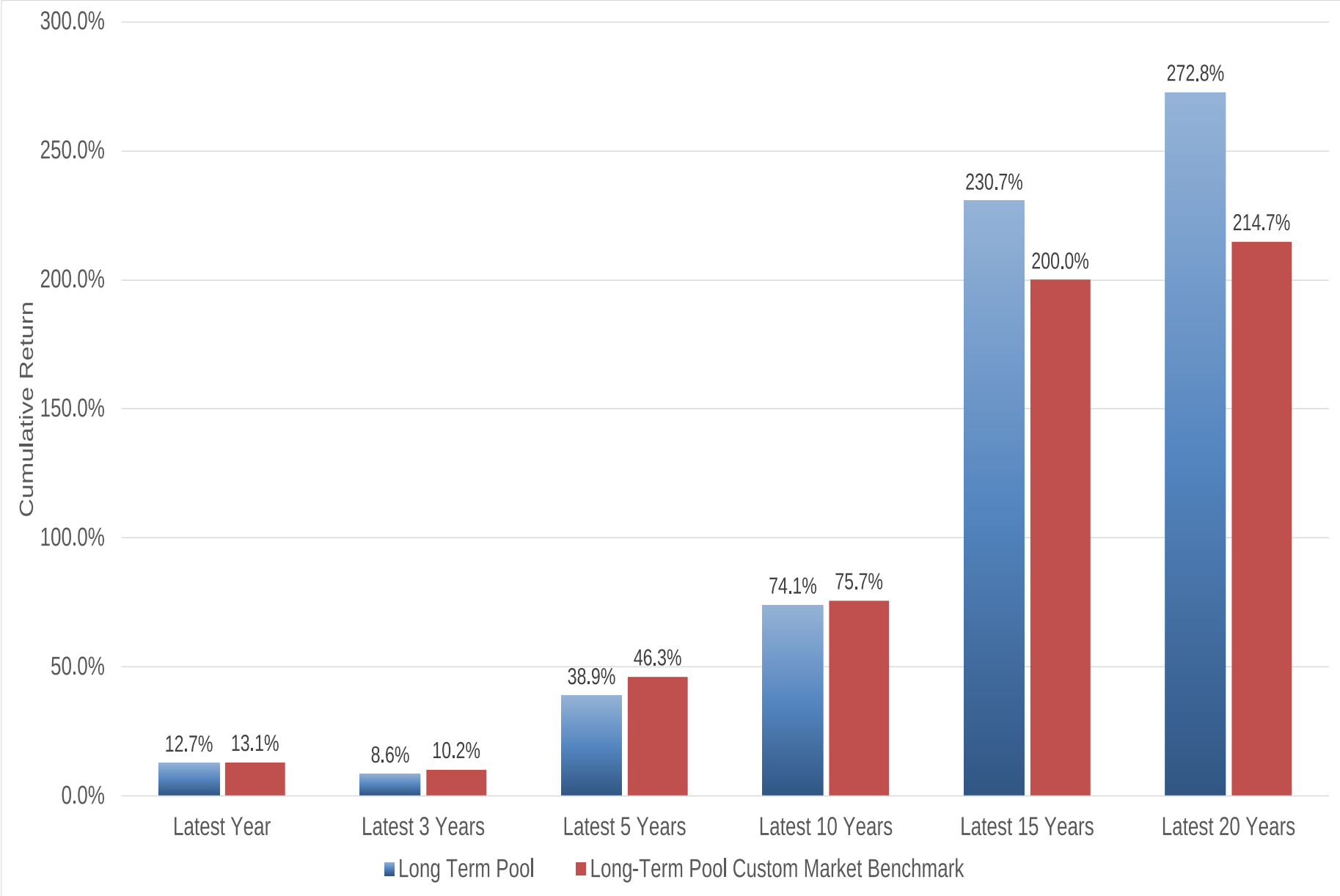
Investment Strategy/Performance Update

February 22, 2024

Annualized Investment Results

Performance Ending 12/31/23 (Net Of Investment Management Fees)	Latest Year	Latest 3 Years	Latest 5 Years	Latest 10 Years	Latest 15 Years	Latest 20 Years
Long-Term Pool	12.7%	2.8%	6.8%	5.7%	8.3%	6.8%
Long-Term Pool Custom Market Benchmark	13.1%	3.3%	7.9%	5.8%	7.6%	5.9%
CPI + 5%	8.4%	10.8%	9.2%	7.8%	7.6%	7.6%
Socially Responsible Pool	15.9%	3.4%	8.4%	7.5%	6.7%	N/A
SR Pool Custom Market Benchmark	15.1%	3.4%	8.4%	7.4%	6.3%	N/A
Mid-Term Pool	10.4%	1.5%	5.9%	4.9%	N/A	N/A
Mid-Term Pool Custom Market Benchmark	12.6%	2.1%	6.5%	5.1%	N/A	N/A

Decisions Focused on Long-Term Outcomes



High Batting Average & Positive Skew

Socially Responsible Returns Relative to Policy Benchmark – 6/30/10 to 12/31/23

Key Stats - Socially Responsible Pool	Rolling 3 Year	Rolling 5 Year	Rolling 7 Year	Rolling 10 Year
Batting Average	70.9%	76.7%	87.3%	90.7%
Median Outcome	0.8%	2.5%	4.0%	6.3%
Best Outcome	4.8%	6.7%	9.9%	9.6%
Worst Outcome	-5.9%	-5.4%	-2.6%	-4.8%

- Very High Batting Average – Not Perfect Though!
- Median Value Added is Meaningful
- Generally Strong Best/Worst Case Outcomes

High Batting Average & Positive Skew

Long-Term Pool Returns Relative to Policy Benchmark 12/31/23

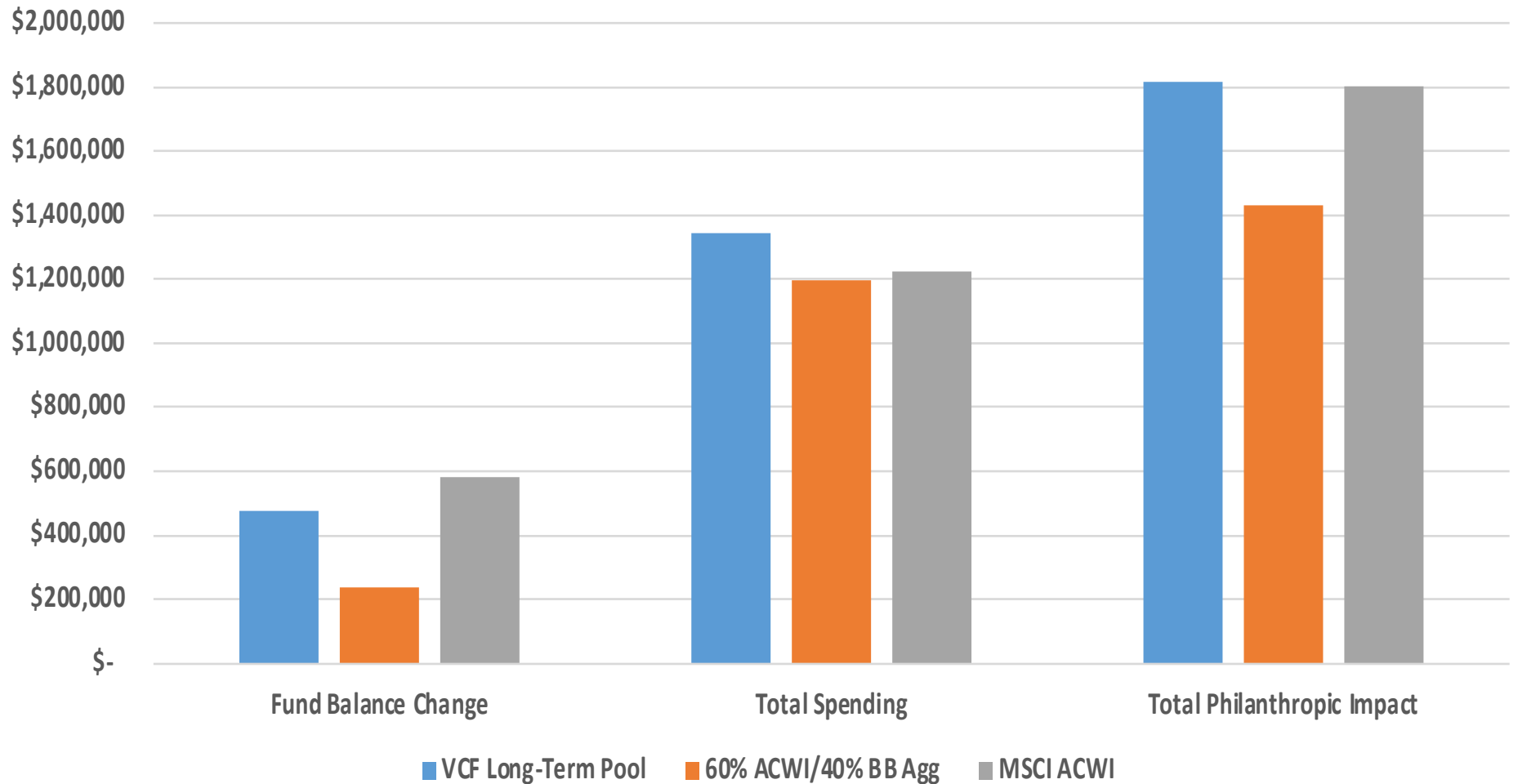
3/31/02 to

	Long Term Pool Performance: March 31, 2002 to December 31, 2023			
	Rolling 3 Year	Rolling 5 Year	Rolling 7 Year	Rolling 10 Year
Batting Average	81.0%	81.2%	82.0%	97.9%
Median Outcome	5.1%	10.2%	18.1%	30.4%
Best Outcome	10.6%	20.6%	25.1%	39.1%
Worst Outcome	-6.8%	-8.3%	-6.6%	-2.0%

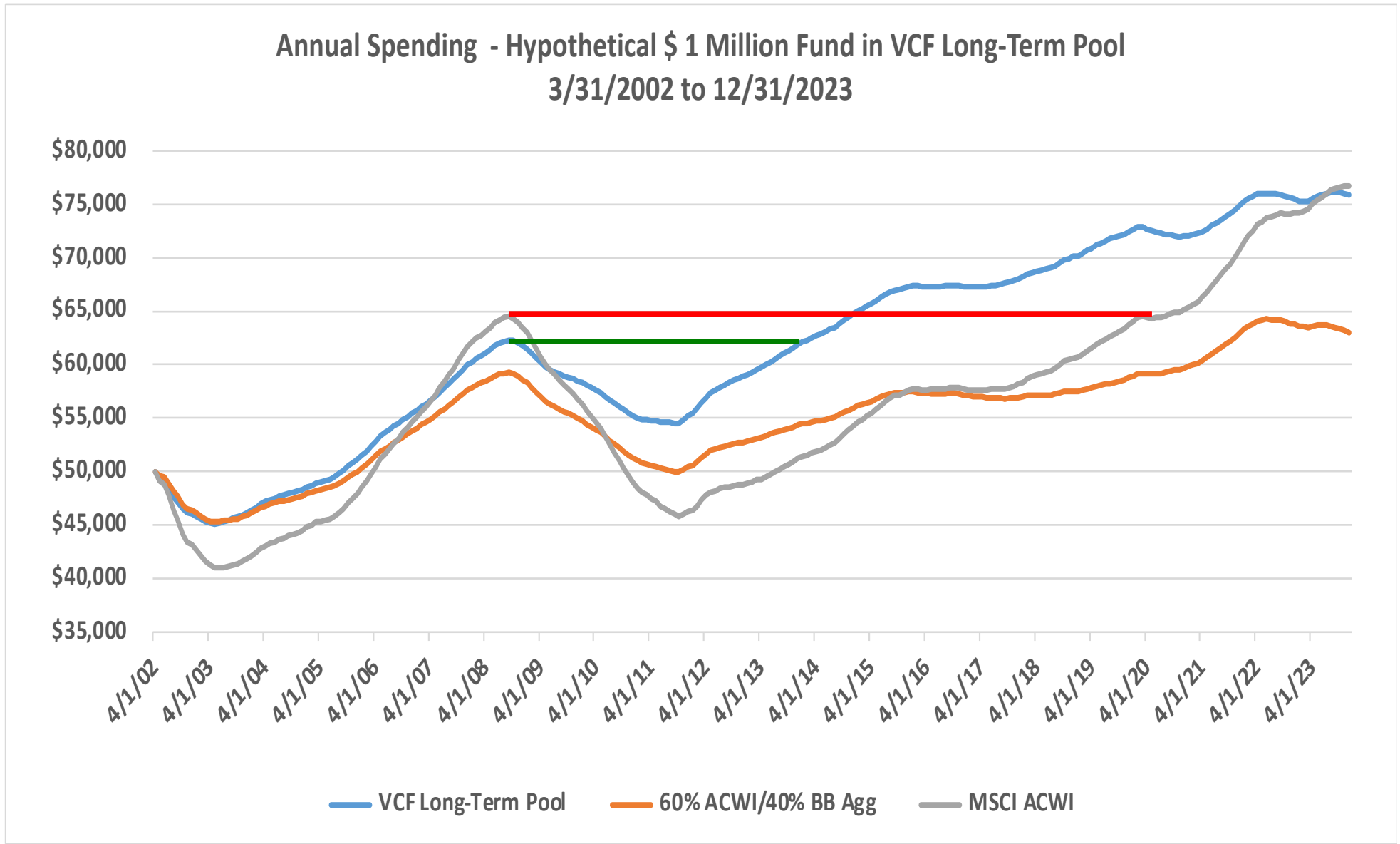
- Very High Batting Average – Not Perfect Though!
- Median Value Added is Substantial
- Very Strong Best/Worst Case Outcome Ratio

Balance & Focus on Long-Term Outcomes

Philanthropic Impact - Hypothetical \$ 1 Million in VCF Long-Term Pool
3/31/2002 to 12/31/2023



Even Long-Term Investors Must Worry About Volatility



The Community Foundation's Approach

- Establish a Strategic Asset Allocation That is Expected to Achieve the Foundation's Long Term Return Objectives (Preserve Foundation Purchasing Power Over Twenty Year+ Periods)
- No Attempt Made to Market Time or Change Strategy Based on Near Term Outlook – Does Not Preclude Opportunistic Allocations Whose Outcome is Not Driven by Timing
- Diversify Portfolio by Asset Class and Strategy. Increases the Likelihood of Achieving Return Objectives Under Different Economic/Market Conditions

Strategic Asset Mix

Asset Class Exposures (% of Total Portfolio)	Long-Term Pool Mix	Socially Responsible Pool Mix	Mid-Term Pool Strategic Mix
US Large/Mid Cap Equity	11.0	19.0	19.0
US Small Cap Equity	6.5	5.0	4.8
Non-US Developed Equity	11.0	22.0	17.0
Non-US Emerging Equity	6.0	6.0	6.8
Global Equity	12.0	12.0	0.0
Special Opportunities	14.0	0.0	0.0
Total Equity	60.5%	64.0%	47.5%
US Aggregate Bonds	8.5	18.0	23.8
Treasury Inflation Protected Securities	4.3	0.0	9.5
US High Yield Bonds	0.0	0.0	4.8
Global Bonds	4.8	0.0	0.0
Cash/Short Term Bonds	0.0	6.0	9.5
Total Fixed Income	17.5%	24.0%	47.5%
Hedge Funds	5.0	0.0	0.0
Private Assets	12.0	7.0	0.0
Total Alternatives	17.0%	7.0%	0.0%
Vermont Investments	5.0%	5.0%	5.0%

Manager Due Diligence

- Return always accompanied by risk
- Must understand the strategy, know key personnel, avoid needless complexity.
- Operational issues: independent custodian, credible auditor, outside administrator
- Ongoing – forward looking process

Manager Due Diligence – Qualitative Factors

INVESTMENT PROCESS

- Fundamental/valuation bias
- High conviction in investment ideas
- Defined buy & sell disciplines
- Uniqueness (edge)

ORGANIZATION

- Ownership structure
- Aligned interests & motivation
- Compensation structure & retention
- Succession plan
- Institutional Focus
- SEC violations & legal issues

INVESTMENT PROFESSIONALS

- Portfolio manager/analyst experience
- Assessment of manager/team skill
- Portfolio management/analyst coverage
- Team continuity & ethical concern

PORTFOLIO MANAGEMENT/RISK

- Assets in strategy/capacity
- Position exposure/risk
- Prudent use of leverage
- Hedging strategy
- Liquidity
- Transparency
- Appropriate diversification

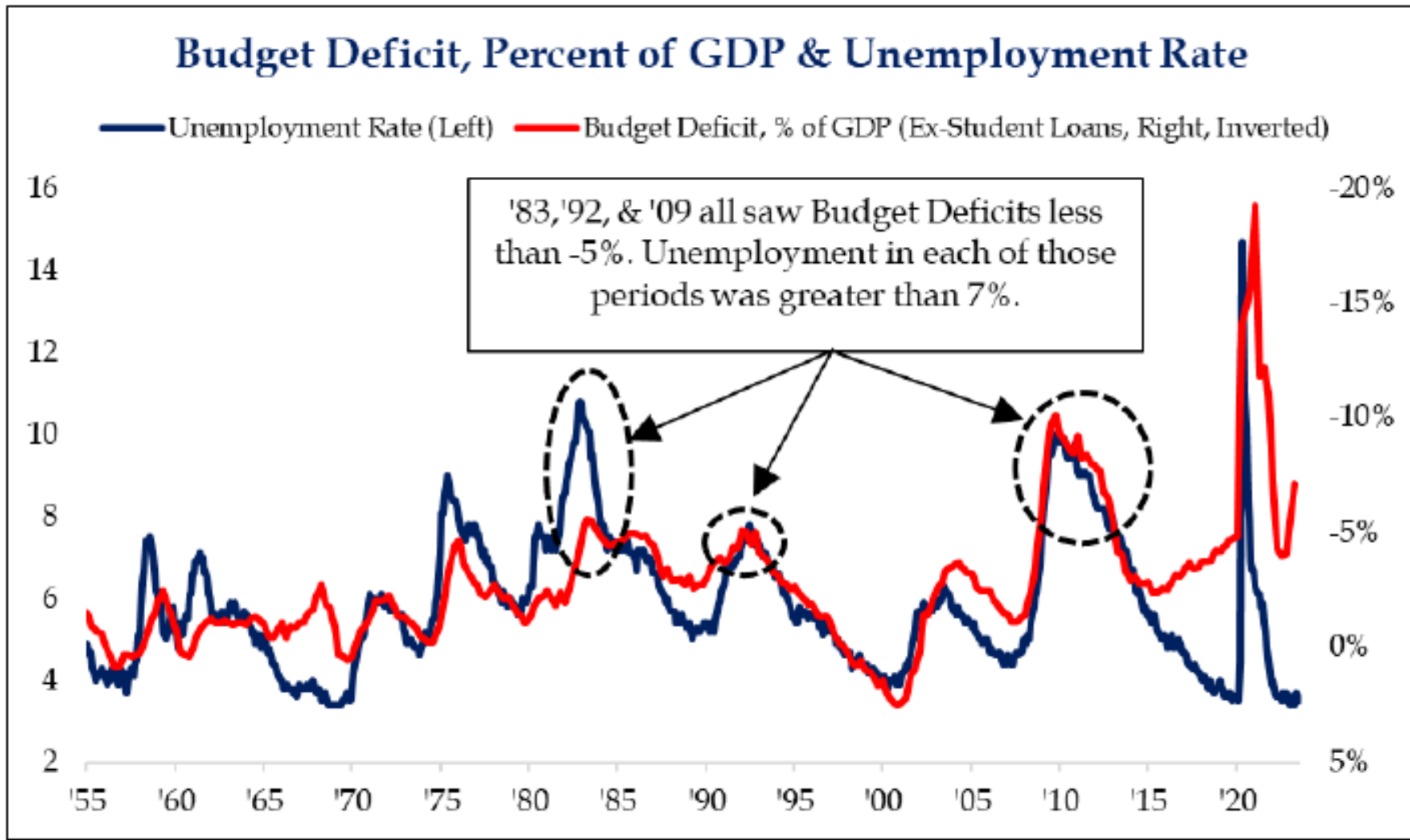
OPERATIONAL/BUSINESS RISK

- Prime broker exposure
- Counter party risk
- Financing/borrowing terms
- Client concentration risk
- Back office staffing & infrastructure
- Compliance procedures
- Trading systems
- Valuation procedures
- Disaster Recovery

We Live in a New World

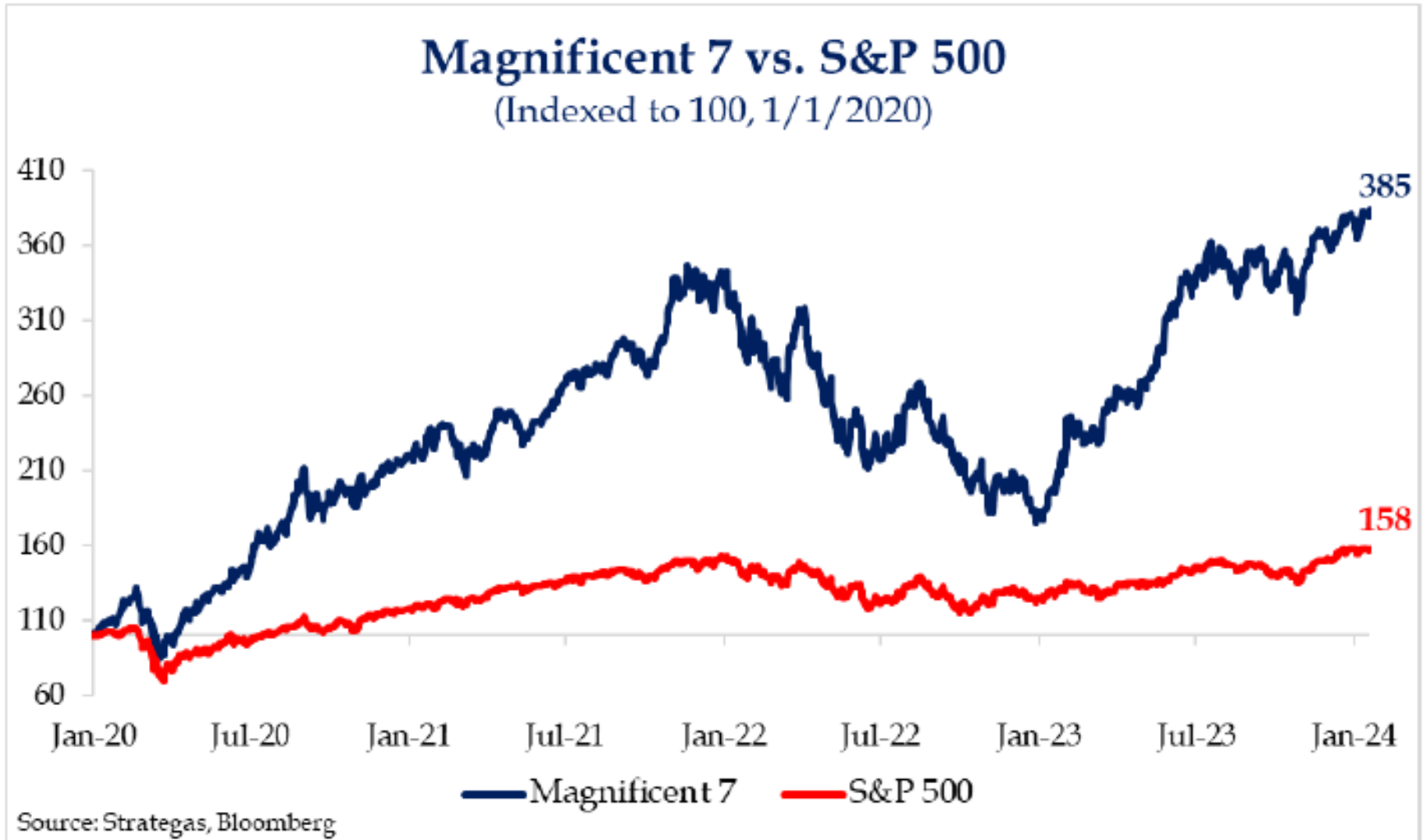
- Higher Inflation = Higher Cost and Competition for Capital
- Capital Scarcity is GAME CHANGING
- Capitalization Weighted Indices (S&P 500) are Increasingly Concentrated

Hmm...



Source: Strategas Research Partners

Past is Prologue?

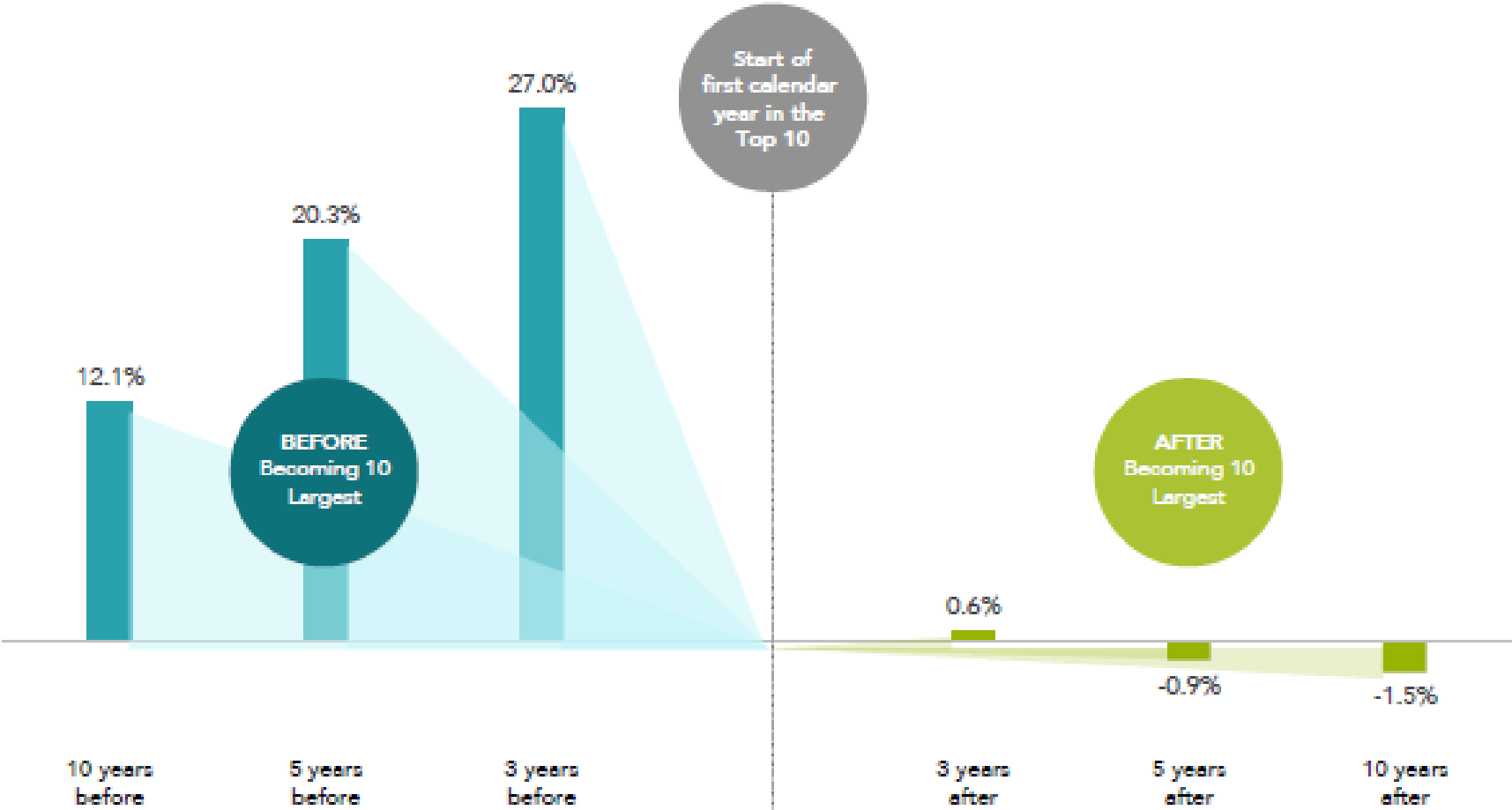


With No Return



Strong Performance Unlikely to Continue

Annualized return in excess of market for stocks after joining list of 10 largest US stocks, 1927-2022



Definitely Risk!



Optimism

	Weights		Value
	Earnings	Sector	Difference
Financials	21.6%	13.2%	8.4%
Energy	11.1%	4.6%	6.5%
Industrials	9.6%	8.2%	1.4%
Consumer Disc.	6.2%	5.5%	0.7%
Materials	2.7%	2.3%	0.4%
Utilities	2.6%	2.3%	0.3%
Consumer Staples	6.6%	7.0%	-0.4%
Real Estate	1.7%	2.2%	-0.5%
Health Care	12.0%	12.9%	-0.9%
Communications	1.8%	3.0%	-1.2%
Technology	7.3%	10.8%	-3.5%
Magnificent 7	16.9%	28.3%	-11.4%

Source: Strategas Research Partners

Strategy Looking Forward

- Strict adherence to a strategy that relies on decisions with a high probability of long-term success – time is on our side
- Utilize advantages of scale, stability and time horizon to access atypical investments – strong proponents of index funds balanced with compelling managers
- **Over long time periods, intelligently accepting volatility contributes to higher returns**